

Message Text

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15/13

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 L-03 FCSC-01 TRSE-00 EB-11 FBO-01

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 6087

INFO USMISSION GENEVA

C O N F I D E N T I A L PRAGUE 828

C O R R E C T E D O P Y ADD GDS AFTER E.O.

GENEVA FOR AMB SHERER

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C CZ, US

SUBJECT: CLAIMS NEGOTIATIONS

REF: PRAGUE 363, 364, 501

1. IN EFFORT TO CLEAR REMAINING BARRIERS TO CLAIMS SETTLEMENT, WE HAVE AGAIN REVIEWED QUESTION OF SURPLUS PROPERTY PAYMENTS WITH OBJECTIVE OF ACHIEVING IMPORTANT GOAL OF GAINING RIGHT TO PURCHASE REAL PROPERTY WITHOUT COMPLICATING APPARENTLY SENSITIVE QUESTION OF PAYMENTS. CZECHS HAD, AS WE HAVE REPORTED, SOUGHT PAYMENT OF SURPLUS PROPERTY INDEBTEDNESS IN CROWNS AND, MORE RECENTLY, HAD OFFERED TO SELL REAL ESTATE FOR CROWNS ACQUIRED.

2. WE WONDER WHETHER TREASURY WOULD ACCEPT ARRANGMENT WHICH STIPULATED PAYMENT OF SURPLUS PROPERTY PRINCIPAL IN DOLLARS WITH PROVISIO THAT, DURING PERIOD OF SEVERAL YEARS AFTER SIGNATURE, US WOULD HAVE OPTION OF ACCEPTING REAL ESTATE IN LIEU OF DOLLAR PAYMENT. THIS WOULD, OF COURSE, REQUIRE THAT WE DEFER COLLECTION OF SOME PART OF PRINCIPAL DUE IN ORDER TO GIVE EFFECT TO OPTION BY ALLOWING TIME FOR SURVEYING PROPERTY AND NEGOTIATING PURCHASE. HOWEVER, IT WOULD NOT INVOLVE ACCUMULATION OF NONCONVERTIBLE

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CURRENCY AGAINST SURPLUS PROPERTY PRINCIPAL, NOR WOULD IT

ABRIDGE OUR RIGHT TO COLLECT TOTAL PRINCIPAL SUM IN DOLLARS IF CZECHS DO NOT MAKE ACCEPTABLE OFFERS FOR REAL ESTATE. MOST IMPORTANT, IF ACCEPTABLE TO CZECHS, IT OPENS AVENUE TO HIGHLY DESIREABLE ACQUISITION OF PROPERTY, WHILE SEEMING TO ACCOMMODATE CZECH DESIRE FOR SOME ADJUSTMENT IN TERMS FOR COLLECTION OF SURPLUS PROPERTY INDEBTEDNESS.

3. WE ESTIMATE (PRAGUE 501) 1.8 MILLION DOLLARS FOR PURCHASE OF HOUSING AND MAJOR RENOVATION OF EXISTING EMBASSY PROPERTY. ADDITIONAL POSSIBILITIES (STATE 48470) FOR COMMERCIAL OR INFORMATION OFFICES WOULD EXPAND THIS FIGURE TO RANGE OF HALF OF PRINCIPAL DUE BY 1977 UNDER SURPLUS PROPERTY AGREEMENT'S PROVISIONS.

4. UNDER THIS ARRANGEMENT, CROWNS ACQUIRED VIA UNBLOCKED ACCOUNTS AND SURPLUS PROPERTY INTEREST (STATE 23521, NOV 2) WOULD BE AVAILABLE FOR OPERATING EXPENSES AND POSSIBLE CULTURAL AND SCIENTIFIC EXCHANGE ACTIVITIES. IN ANY EVENT, THESE CROWNS WOULD NOT BE ELIGIBLE FOR REALESTATE PURCHASES, WHICH INVOLVE SCIENTIFIC CZECH WAIVER OF PROHIBITION ON SUCH PURCHASES. SINCE CZECHS HAD ARGUED THAT INTEREST WAS NOT PAYABLE, THEY ARE UNWILLING TO INCLUDE THESE CROWNS IN WAVIER.

5. WE WOULD APPRECIATE EARLY CONSIDERATION OF ABOVE PROPOSAL AND AUTHORIZATION TO TABLE IT IF ACCEPTABLE IN WASHINGTON.
WORTZEL

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